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North China

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2. Taxes. Industrial and commercial firms holding business licenses are required to pay the industrial and commercial tax, the income tax, and the commodity tax. The industrial and commercial tax is levied in the following manner: the Administration of Industry and Commerce allocates to each category of business a certain quota of the tax for which it is responsible; then the officials of the Trade Association assign to each member the exact amount for which he is responsible.* The income tax is levied at a flat rate of 15 percent on the income earned which is computed as the total value of cash assets and stock in a commercial or an industrial concern (calculated at the prevailing market rate) minus cost. The commodity tax is payable when any product is shipped from the factory or when imported cargo reaches the consignee. The industrial and commercial tax and the income tax must be declared each month, although collections are made on a seasonal basis. Persons who do not hold business licenses are known as traveling merchants. They must register and provide guarantees for the issuance of traveling merchants' licenses and are required to pay a traveling merchant's tax for each transaction which they conclude. This tax is computed at the rate of five percent of the selling price of the commodity.
2. Government Bonds. No new government bonds have been floated recently.
3. Other Levies. Ordinarily levies include the real estate ownership levy, the house tax, the land levy, sanitation charges, the entertainment levy (the minimum taxable amount is JNP 30,000), food levy (minimum taxable amount is JNP 10,000), license levy, and the stamp tax. All of these are imposed by express provisions of law. In addition, there are also contributions such as the Anti-America and Aid Korea contributions and investment in the North China and South China Investment Company. These contributions and investments are voluntary but in practice they can be raised only by compelling people to pay.
4. Customs. Methods employed for calculating customs duties are essentially the same as those used under the Kuomintang regime although tariff rates have been changed, i.e., higher rates are charged on important luxuries and lower rates on supplies needed in important industries. Exports are classified into three categories:

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- a. Controlled Exports. These are exempt from customs duties.
- b. Exports by Special Permission. These are handled by private business and are exempt from customs duties with the exception of bristles, on which a 30 percent tariff is charged.
- c. Other commodities not listed above may be exported under ordinary export license and the customs duties thereon are levied according to the Export Customs Duties Regulations of 1934 (as revised September 1949). However, a decree of 28 June 1949 exempts all duties on exports.

5. Import and Export Trade. Before foreign exchange was frozen, all important commodities not produced in China were imported by government import trade agencies, but after foreign exchange was frozen, a large portion of these have been left for private importers to handle. The commodities include transportation and telecommunication supplies, gasoline, kerosene, lubricating oil, supplies required for reconstruction purposes, machinery, scientific instruments, clinical instruments, and medical supplies. At present most of these items are smuggled into China from [redacted] firms within China who handle imports from Europe, e.g., Belgium and West Germany, and South America. The government agency in charge of import-export policy is the Central People's Government Trade Administration. The China Supplies Company deals with the sale of imported commodities, and the China Trust Company is responsible for arranging orders and making introductions.** The Government has not yet placed restrictions on persons engaged in importing and exporting but restrictions already placed on foreign exchange and the freezing of foreign exchange have made it very difficult for most importers and exporters.

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6. Salary Scale. The salary of an ordinary apprentice administrative employee is 200 catties of millet per month. A regular employee receives 300-600 catties of millet, which is sufficient only to maintain a minimum standard of living for two persons. As a result the average public employee is quite perturbed. The salary of school teachers also begins at 300 catties of millet but university professors receive much more and are the highest paid of the salaried class. Their maximum salary is 1200 catties of millet. Workmen in government factories are the best paid. An ordinary worker receives 400-500 catties of millet each month; a foreman receives as much as 600-700 catties; and a technician may receive over 1000 catties.
7. Commodity Prices. Actual market prices are practically identical with those quoted in the local newspapers with the exception of the price of flour which increased a little about three months ago. The price of other commodities has remained quite stable.
8. Purchasing Power. The purchasing power of the public in general has been steadily declining and no market exists for commodities other than daily necessities. Business has been very dull. In the past two years the Soviet personnel have purchased large quantities of goods, including furs, European dresses and cameras, but their buying rush has stopped since the spring. The Russians are very particular about bargaining over prices and are not as generous as the Americans. They usually buy consumers' goods. Clothing and furs compose their largest purchases, with cosmetics coming next. Very few of the Russians buy curios and art objects.

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9. The Failan Mining Company. In March 1950, after the Chinese Communists took over, there was a large-scale strike in the Failan Mining Company. The Communist authorities punished all the ringleaders as traitors and increased the pay of all other workers. Things have been going smoothly ever since. The average miner receives three bags of flour, half a ton of coal, and 20 units of remuneration in kind paid each month. Miners make up to a total of about JPY 500,000. Skilled workers and engineers get even more than the average worker, but the salary of management personnel is not any higher than that of the miner. The mine costs about JPY 50,000,000,000 (about HK \$10,000,000) a month to operate. It has over 5,000 miners and over 1,000 management personnel. The output of the mine is sufficient to meet the demand in North China and the Northeast. There is also a surplus to be shipped to Japan to exchange for other commodities.

25X1 * Comment: Up to now in Tientsin a great portion of the industrial and commercial tax was shouldered by the import and export trade. Now since these firms are doing practically no business at all, the authorities are trying to shift the burden to other business concerns. Consequently most of these firms find themselves hard hit because they bear a large share of taxes and cannot dispose of their stock on hand. The only exception is the trading in metal works and electrical supplies which deals with government authorities. These companies are able not only to keep on but also to make money.

25X1 ** Comment: In March 1951 exports had not yet been placed under unified control. Government-operated companies such as The Oil and Lard Company, The Bristles Company, The Fur and Hide Company, The Egg Co., and the Native Products Co. were all in operation.

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